



**[BILLING CODE: 4810-33-P]**

**DEPARTMENT OF THE TREASURY**

**Office of the Comptroller of the Currency**

**Agency Information Collection Activities; Proposed Collection; Comment Request;  
Company-Run Annual Stress Test Reporting Template and Documentation for  
Covered Institutions with Total Consolidated Assets of \$10 Billion to \$50 Billion  
under the Dodd-Frank Wall Street Reform and Consumer Protection Act**

**AGENCY:** Office of the Comptroller of the Currency, Treasury (OCC).

**ACTION:** Notice.

**SUMMARY:** The OCC, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to comment on this continuing information collection, as required by the Paperwork Reduction Act of 1995. Under the Paperwork Reduction Act, Federal agencies are required to publish notice in the Federal Register concerning each proposed collection of information and to allow 60 days for public comment in response to the notice. An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number.

The OCC is soliciting comment on a proposed new regulatory reporting requirement for national banks and Federal savings associations titled, “Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions

with Total Consolidated Assets of \$10 Billion to \$50 Billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act.” The proposal describes the scope of reporting and the proposed reporting requirements.

**DATES:** Comments must be received by [Insert 30 days from date of publication in FEDERAL REGISTER.]

**ADDRESSES:** Because paper mail in the Washington, DC area and at the OCC is subject to delay, commenters are encouraged to submit comments by e-mail if possible.

Comments may be sent to: Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, Attention: 1557-0311, 400 7<sup>th</sup> Street, SW., Suite 3E-218, Mail Stop 9W-11, Washington, DC 20219. In addition, comments may be sent by fax to (571) 465-4326 or by electronic mail to [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov). You may personally inspect and photocopy comments at the OCC, 400 7<sup>th</sup> Street, SW., Washington, DC 20219. For security reasons, the OCC requires that visitors make an appointment to inspect comments. You may do so by calling (202) 649-6700. Upon arrival, visitors will be required to present valid government-issued photo identification and to submit to security screening in order to inspect and photocopy comments.

Additionally, please send a copy of your comments by mail to: OCC Desk Officer, 1557-0237, U.S. Office of Management and Budget, 725 17<sup>th</sup> Street NW., #10235, Washington, DC 20503, or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** You can request additional information from or a copy of the collection from Johnny Vilela or Mary H. Gottlieb, Clearance Officers, (202) 649-5490, Legislative and Regulatory Activities Division, Office of the Comptroller of the Currency, 400 7<sup>th</sup> Street, SW., Suite 3E-218, Mail Stop

9W-11, Washington, DC 20219. In addition, copies of the templates referenced in this notice can be found on the OCC's Web site under Tools and Forms

(<http://www.occ.gov/tools-forms/forms/bank-operations/stress-test-reporting.html>).

#### **SUPPLEMENTARY INFORMATION:**

In compliance with 44 U.S.C. 3507, the OCC has submitted the following proposed collection of information to OMB for review and clearance.

#### **Company-Run Annual Stress Test Reporting Template and Documentation for Covered Institutions with Total Consolidated Assets of \$10 Billion to \$50 Billion under the Dodd-Frank Wall Street Reform and Consumer Protection Act.**

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>1</sup> (Dodd-Frank Act) requires certain financial companies, including national banks and Federal savings associations, to conduct annual stress tests<sup>2</sup> and requires the primary financial regulatory agency<sup>3</sup> of those financial companies to issue regulations implementing the stress test requirements.<sup>4</sup> A national bank or Federal savings association is a “covered institution,” and therefore subject to the stress test requirements if its total consolidated assets exceed \$10 billion. Under section 165(i)(2), a covered institution is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.<sup>5</sup> On October 9, 2012, the OCC published in the Federal Register a final rule

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<sup>1</sup> Pub. L. 111-203, 124 Stat. 1376, July 2010.

<sup>2</sup> 12 U.S.C. 5365(i)(2)(A).

<sup>3</sup> 12 U.S.C. 5301(12).

<sup>4</sup> 12 U.S.C. 5365(i)(2)(C).

<sup>5</sup> 12 U.S.C. 5365(i)(2)(B).

implementing the section 165(i)(2) annual stress test requirements.<sup>6</sup> This notice describes the reports and information required to meet the reporting requirements under section 165(i)(2) for covered institutions with average total consolidated assets between \$10 and \$50 billion. These information collections will be given confidential treatment (5 U.S.C. 552(b)(4)).

The OCC intends to use the data collected through this proposal to assess the reasonableness of the stress test results of covered institutions and to provide forward-looking information to the OCC regarding a covered institution's capital adequacy. The OCC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered institution. The stress test results are expected to support ongoing improvement in a covered institution's stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The Dodd-Frank Act stress testing (DFAST) requirements apply to all covered institutions, but the OCC recognizes that many covered institutions with consolidated total assets of \$50 billion or more have been subject to existing stress testing requirements under the Board's Comprehensive Capital Analysis and Review (CCAR). The OCC also recognizes that these institutions' stress tests will be applied to more complex portfolios and therefore warrant a broader set of reports to adequately capture the results of the company-run stress tests. These reports necessarily will require more detail than would be appropriate for smaller, less complex institutions. Therefore, the OCC has decided to specify separate reporting templates for covered institutions with

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<sup>6</sup> 77 FR 61238, October 9, 2012.

total consolidated assets between \$10 and \$50 billion and for covered institutions with total consolidated assets of \$50 billion or more.<sup>7</sup>

While the general reporting categories are the same (income statement, balance sheet and capital), the level of granularity for individual reporting items is less for \$10 to \$50 billion institutions. For example, accounting for provisions by category is not required, and less detail is required for commercial and industrial lending. Because smaller banks with assets of \$10 to \$50 billion generally have less complex balance sheets, the OCC believes that highly detailed reporting is not warranted, and so the OCC is not requiring supplemental schedules on such areas as retail balances, securities and trading, operational risk, and pre-provision net revenue (PPNR).

The OCC has worked closely with the Board and the Federal Deposit Insurance Corporation (FDIC) to make the agencies' respective rules implementing the annual stress testing requirements under the Dodd-Frank Act consistent and comparable by requiring similar standards for scope of application, scenarios, data collection and reporting forms. The OCC also has worked to minimize any potential duplication of effort related to the annual stress test requirements. Additionally, the agencies have coordinated to allow for a unified results submission process.

The proposed OCC DFAST 10-50 reporting templates for institutions with assets of \$10 to \$50 billion are described below.

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<sup>7</sup> See 77 FR 49485 for the Paperwork Reduction Act Notice and the OCC Web site at <http://occ.gov/news-issuances/news-releases/2012/nr-occ-2012-121.html> for the reporting templates for covered institutions with total consolidated assets of \$50 billion or more.

## **Description of Reporting Results Templates for Institutions with \$10 Billion to \$50 Billion in Assets**

The “Dodd-Frank Annual Stress Test Reporting Results Template for Covered Institutions with Total Consolidated Assets Between \$10 and \$50 Billion” (\$10-\$50 results template) includes data collection worksheets necessary for the OCC to assess the company-run stress test results for baseline, adverse and severely adverse scenarios as well as any other scenario specified in accordance with regulations issued by the OCC. The \$10-\$50B results template includes worksheets that collect information on the following areas:

1. Income Statement
2. Balance Sheet
3. Capital

Each \$10 to \$50 billion covered institution reporting to the OCC using this form will be required to submit results for each scenario provided to covered institutions in accordance with regulations implementing Section 165(i)(2) as specified by the OCC.

### **Worksheets: Income Statement**

The income statement worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected losses and revenues in the following categories:

1. Net charge-offs
2. Pre-provision net revenue
3. Provision for loan and lease losses

4. Realized gains (losses) on held to maturity (HTM) and available-for-sale (AFS) securities
5. All other gains (losses)
6. Taxes

Memoranda items:

7. Total other than temporary impairment (OTTI) losses

This worksheet provides information used to assess losses and revenues that covered institutions can sustain in baseline, adverse and severely adverse stress scenarios.

### **Worksheets: Balance Sheet**

The balance sheet worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected equity capital, as well as on assets and liabilities in the following categories:

1. Loans
2. HTM securities
3. AFS securities
4. Trading assets
5. Total intangible assets
6. Other real estate
7. All other assets
8. Retail funding (core deposits)
9. Wholesale funding
10. Trading liabilities

11. All other liabilities
12. Perpetual preferred stock and related surplus
13. Equity capital

The OCC intends to use this worksheet to assess the projected changes in assets and liabilities that a covered institution can sustain in baseline, adverse and severely adverse stress scenarios. This worksheet will also be used to assess the revenue and loss projections identified in the income statement worksheet.

### **Worksheets: Capital**

The capital worksheet, which is appended to the balance sheet worksheet, collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on the following areas:

1. Unrealized gains (losses) on AFS securities
2. Disallowed deferred tax asset
3. Tier 1 capital
4. Qualifying subordinated debt and redeemable preferred stock
5. Allowance includable in Tier 2 capital
6. Tier 2 capital
7. Total risk-based capital
8. Total capital
9. Risk-weighted assets
10. Total assets for leverage purposes
11. Tier 1 risk-based capital ratio



12. Tier 1 leverage ratio

13. Total risk-based capital ratio

Memoranda:

14. Sale, conversion, acquisition or retirement of capital stock

15. Cash dividends declared on preferred stock

16. Cash dividends declared on common stock

Additionally, the Summary Schedule captures projections for regulatory capital ratios over the planning horizon by scenario.

The OCC intends to use these worksheets to assess the impact on capital of the projected losses and projected changes in assets that the covered institution can sustain in a stressed scenario. In addition to reviewing the worksheet in the context of the balance sheet and income statement projections, the OCC also intends to use this worksheet in assessing capital planning processes for each covered institution.

### **Description of DFAST Scenario Variables Template**

To conduct the stress test required under this rule, a covered institution may need to project additional economic and financial variables to estimate losses or revenues for some or all of its portfolios. In such a case, the covered institution is required to complete the DFAST Scenario Variables template for each scenario where such additional variables are used to conduct the stress test. Each scenario worksheet collects the variable name (matching that reported on the Scenario Variable Definitions

worksheet), the actual value of the variable during the third quarter of the reporting year, and the projected value of the variable for nine future quarters.

### **Description of Supporting Documentation**

Covered institutions must submit clear documentation in support of the projections included in the worksheets to support efficient and timely review of annual stress test results by the OCC. The supporting documentation should be submitted electronically and is not expected to be reported in the workbooks used for required data reporting. This supporting documentation must describe the types of risks included in the stress test; describe clearly the methodology used to produce the stress test projections; describe the methods used to translate the macroeconomic factors into a covered institution's projections; and also include an explanation of the most significant causes for the changes in regulatory capital ratios. The supporting documentation also should address the impact of anticipated corporate events, including mergers, acquisitions or divestitures of business lines or entities, and changes in strategic direction, and should describe how such changes are reflected in stress test results, including the impact on estimates of losses, expenses and revenues, net interest margins, non-interest income items, and balance sheet amounts.

Where company-specific assumptions are made that differ from the broad macroeconomic assumptions incorporated in stress scenarios provided by the OCC, the documentation also must describe such assumptions and how those assumptions relate to reported projections. Where historical relationships are relied upon, the covered institutions must describe the historical data and provide the basis for the expectation that

these relationships would be maintained in each scenario, particularly under adverse and severely adverse conditions.

### **Summary of Comments and Changes from Proposal**

In the Federal Register of March 11, 2013 (78 FR 49488), OCC published a notice requesting comment on the templates and the collection of information. OCC received comments from seven groups on the notice. Five of the commenters were banking organizations, one was an industry group, and one was a financial services consulting firm. The OCC has made several changes to the OCC DFAST 10-50 results template in light of comments received. The OCC, the Board and the FDIC coordinated the changes made to each agency's templates in order to keep the templates identical and minimize the burden on affected institutions.

Some commenters expressed concern about having to submit stress testing results in a Call Report-type format, noting that their existing stress testing software was not developed with such a format in mind and asking for less detailed reporting forms. These commenters requested that the agencies consider further delaying implementation of the reporting requirements and/or limiting the report submissions to the OCC DFAST 10-50 summary schedule. The OCC has determined that using reporting templates modeled on the Call Report is the best solution because of familiarity with this format by the OCC, covered institutions and the public, particularly when mandatory public disclosure of summary results under the severely adverse scenario becomes effective in 2015. The OCC DFAST 10-50 results template, aligned to the Call Report, provides a format that is well understood and utilized by the industry. Therefore, the OCC believes that the

reporting requirements will not place undue burden on institutions' ability to report stress test results. Using the Call Report format would also ensure a high level of consistency and facilitate assessment of the results. The OCC has already delayed the application of the stress testing rules for the \$10-\$50 billion covered institutions, in part so that they would have time to create the necessary infrastructure to submit the appropriate stress testing results.

Two commenters expressed concern about the differences among stress testing templates used to respond to different stress testing requirements and about the burden some banking organizations (companies with \$50 billion or more in assets that control subsidiaries with \$10-50 billion in assets) might face in having to prepare multiple sets of templates. The OCC notes that the final OCC DFA stress testing rule allows such subsidiaries to file the same template as filed by its parent. Per the final OCC DFA stress testing rule, "any \$10 to \$50 billion covered institution that elects to apply the requirements of an over \$50 billion covered institution shall remain subject to the requirements applicable to an over \$50 billion covered institution until otherwise approved by the OCC."<sup>8</sup> Additionally, implementation of the stress test requirements has already been delayed for the \$10-\$50 billion companies and public disclosure is not required until 2015.

One commenter suggested the application of generalized, bank-developed loss assumptions for immaterial portfolios. The commenter also noted that an immaterial portfolio exception is allowed for firms with \$50 billion or more assets in stress testing submissions. The OCC has considered the burden of calculating losses for immaterial portfolios for companies with \$10-\$50 billion in assets and determined that providing a

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<sup>8</sup> 12 C.F.R. 46.3(e)(2).

safe harbor that defines immaterial portfolios, where no or little consideration of the risk of these portfolios is undertaken, would be contrary to the purpose of a company-run stress test and could unintentionally mask or cause institutions to erroneously conclude that the aggregation of immaterial portfolios would always pose little or no risk to an institution. Although stress testing should be applied to all exposures, the OCC recognizes that the same level of rigor and analysis may not be necessary for lower-risk, immaterial portfolios.<sup>9</sup> For such portfolios, it may be appropriate for a company to use a less sophisticated approach for its stress test projections, assuming the results of that approach are conservative and well-documented. The OCC has therefore not established a reporting threshold for immaterial portfolios in the reporting requirements for the proposed OCC DFAST 10-50 results template. Institutions should refer to the proposed interagency supervisory guidance on implementing Dodd-Frank Act company-run stress tests for banking organizations with total consolidated assets of more than \$10 billion but less than \$50 billion for more information on estimates for immaterial portfolios.<sup>10</sup>

One commenter asked for clarification regarding the calculation and reporting of regulatory capital and risk-weighted assets (RWAs), noting the expectation that capital and RWA calculations and definitions would change over the planning horizon as new rules are implemented (specifically noting new definitions when the Basel III final rule is adopted). In addition, this commenter also requested clarification on the calculation of tier 1 non-common capital elements.

OCC staff acknowledges that tier 1 common equity and non-common capital elements for institutions with total assets of less than \$50 billion were not defined by

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<sup>9</sup> Immaterial portfolios are defined as those that would not present a consequential effect on capital adequacy under any of the scenarios provided.

<sup>10</sup> 78 FR 47217 (August 5, 2013).

regulation or rule prior to the final rule recently adopted to implement Basel III.<sup>11</sup> There are three line items in the proposed OCC DFAST 10-50 results template that would be specifically affected by the capital framework that implements Basel III standards: tier 1 common equity capital, non-common capital elements, and RWAs. Common equity tier 1 capital was recently defined in the Basel III final rule for all institutions and generally will not become effective for institutions with \$10-\$50 billion in assets until 2015. To effectively model alternative capital calculations more than halfway through the planning horizon for these banking organizations adds complexity and increases the potential or likelihood of erroneous calculations or assumptions. This complexity and increased risk of error could cause institutions to detract from the main purpose of conducting a company-run stress test; mainly to make a forward-looking assessment of capital planning processes and internal capital needs under various scenarios. Lastly, as the first required public disclosure will not commence until the 2014 stress test cycle with disclosure occurring in June of 2015, the additional burden of transitioning to a new capital calculation more than halfway through the 2013 stress test planning horizon will not provide the public with any insight into a firm's capital adequacy or planning process in this instance.

Accordingly, the OCC removed tier 1 common and non-common capital line items, and the associated equity ratios, from the DFAST 10-50 results template for the 2013 stress test cycle. The final template requires covered institutions to report capital and RWAs for the entire planning horizon using the regulatory capital rules and definitions that are applicable on the "as of" date of each report for this initial reporting

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<sup>11</sup> <http://www.federalreserve.gov/newsevents/press/bcreg/20130702a.htm>.

submission. For the 2013 stress testing cycle institutions should use the OCC's applicable risk-based capital rules as they are effective as of September 30, 2013.

Two commenters argued that the level of detail demanded by the templates was excessive. These commenters stated that separating 1-4 family construction loans from all other construction loans would require more detailed reporting for the OCC DFAST 10-50 results template than what is required for firms subject to CCAR, and firms with \$50 billion or more in assets that report the DFAST 14-A form. While the templates for firms with \$50 billion or more in assets do not segment 1-4 family construction loans, that specific data item is required for these firms on both the FR Y-14Q and M input data reports. More importantly, the OCC believes this data item is particularly relevant to these smaller organizations which reported material concentrations in this product type and given that a significant amount of the industry's losses during the most recent economic downturn emanated from this product. These data would provide necessary information for the institutions to effectively manage risk and appropriately assess and plan for their capital needs.

One commenter also argued that requiring separate line items for retail and wholesale funding would add unnecessary complexity and burden. The OCC, however, believes it is necessary to maintain these separate items. The breakdown of deposits between retail and wholesale is easily facilitated through Call Report data and the proposed OCC DFAST 10-50 instructions indicate that institutions should use the Call Report segmentation definitions to project these line items. In addition, retail and wholesale funding have historically reacted differently under stressed economic conditions and projecting the retail and wholesale deposit structure throughout the

planning horizon as proposed would provide useful information to the institutions and regulators with respect to how an institution internally assesses capital adequacy, plans for their capital needs, and manages risk.

One commenter stated that gathering available-for-sale (AFS) and held-to-maturity (HTM) balances for U.S. government obligations and obligations of government-sponsored entities (GSE) would require more detailed reporting for the OCC DFAST 10-50 templates than what is required for the DFAST 14A. Another commenter suggested separating GSE obligations from other government obligations on the OCC DFAST 10-50 balance sheet consistent with the treatment on the Call Report income statement. While the DFAST 14A collects only total AFS and HTM balances on the balance sheet worksheet, this reporting series requires more granular data than the OCC DFAST 10-50 on government securities through other schedules within the DFAST 14A report. The reporting requirements for the Call Report balance sheet require more detailed information on AFS and HTM GSE obligations relative to the reporting requirements for the OCC DFAST 10-50. Gathering AFS and HTM balances for U.S. government obligations and obligations of GSEs would provide relevant and required data to project net income and regulatory capital over the planning horizon.

Commenters also favored the elimination of several line items. Several commenters stated that the level of detail required by the balance sheet memoranda items were not informative or necessary to the loss estimation process, or entailed more detail than what was required by the DFAST 14A. Specific memoranda items cited by commenters included troubled debt restructurings and loans secured by 1-4 family in foreclosure. Based on this comment, the OCC also evaluated the utility of another



balance sheet memoranda item: loans and leases guaranteed by either U.S. government or GSE guarantees (i.e., non-FDIC loss sharing agreements). The OCC agrees that these memoranda data items are already captured within the OCC DFAST 10-50 reporting requirements for loans and leases and that eliminating these items from the reporting template would not affect an institution's ability to project pre-provision net revenue, net income, or regulatory capital in order to assess their capital needs under stressed conditions. Therefore, the OCC eliminated these three supplemental balance sheet memoranda reporting items.

Commenters also requested that common stock, retained earnings, surplus, and other equity components be reported as a single line item. The OCC agrees with this comment and has combined the aforementioned capital components into one line item to be reported as "equity capital."

One commenter noted that separately modeling average rates for each type of deposit would also involve a significant amount of work and potentially affect other company-run models. The OCC agrees that the average rate information is not a necessary data input needed for an institution to project losses, pre-provision net revenue, or capital. Further, the additional burden placed on institutions to calculate the projected average rates could unnecessarily distract institutions from the primary goal of the annual company-run stress test – to effectively estimate the possible impact of an economic downturn on a firm's capital position in order to plan for capital needs and identify and manage risk. Therefore, the OCC has removed all average rate memoranda items on the balance sheet. This change is consistent with the OCC's goal of making the DFAST 10-50 report similar to the Call Report and of reducing new burden on covered institutions.

Two commenters favored the elimination of the income statement item for Gains and Losses on Other Real Estate Owned (OREO). One commenter noted that this element could effectively be combined with forecasting of other OREO expenses. The other commenter stated that the level of detail for this element is more granular than what is required for the DFAST 14A template. The OCC notes that gains or losses on OREO are captured in the pre-provision net revenue metrics worksheet of the DFAST 14A template; therefore, this requirement would not be more burdensome for the \$10-\$50 billion firms. Nevertheless, the OCC has eliminated this item since gains and losses on OREO would already be captured within the non-interest income statement memoranda item “itemize and describe amounts greater than 15% of non-interest income” or in the “itemize and describe amounts greater than 15% of non-interest expense” when the amount meets the 15% threshold required by the proposed OCC DFAST 10-50 results template.

In response to a few technical comments received, the OCC has adjusted the templates and instructions accordingly. These changes include correction of formulaic errors; correction of Micro Data Reference Manual (MDRM) errors; clarified reporting instructions for income statement memoranda items; and more detailed technical reporting instructions, including the elimination of the contact information schedule as this information would be collected through the results template cover sheet and related data collection application.

#### Burden Estimates:

OCC estimates the burden of this collection of information as follows:

Estimated Number of Respondents: 33.

Estimated Total Annual Burden: 15,312 hours.

The burden for each \$10 to \$50 billion covered institution that completes the DFAST 10-50 results template is estimated to be 440 hours for a total of 14,520 hours. This burden includes 20 hours to input these data and 420 hours for work related to modeling efforts. The estimated burden for each \$10 to \$50 billion covered institution that completes the annual DFAST scenarios variables template is estimated to be 24 hours for a total of 792 hours. Start up costs for new respondents are estimated to be 93,600 hours and ongoing revisions for existing firms, 4,160 hours.

Comments continue to be invited on:

(a) Whether the collection of information is necessary for the proper performance of the functions of the OCC, including whether the information has practical utility;

(b) The accuracy of the OCC's estimate of the burden of the collection of information;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology; and,

(e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated: October 1, 2013.

Michele Meyer,  
Assistant Director, Legislative and Regulatory Activities Division.

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